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HUNGARY'S SOCIAL DEVELOPMENT

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I.

FROM TRIANON TO SOCIAL RECONSTRUCTION.

728 After the first world war no other country was reduced to such economic and financial straits as Hungary. She not only lost the greater and more valuable part of her territory, but a considerable proportion of her population as well. Furthermore, her economic unity was disorganized and her natural resources passed into foreign hands. The social and economic structure of the country was basically changed almost overnight, and that fact in itself forced the Government to battle with problems which were practically unknown in other countries. At the same time the social claims to a better standard of living by the great masses were on the increase in Hungary too. So, all told, the maintenance and the preservation of social equilibrium and that of undisturbed production demanded far more zealous efforts from her statesmen than in any other country in Europe.

728 Formerly Hungary was an agricultural country form-
433 ing a well-balanced economic unit on the way to industrialization. The changes brought about by the Treaty of Trianon meant a reversion in this respect to more primi-
000 tive conditions. This trend was aggravated by the fact

161 This trend † was aggravated by the fact
458 that Hungary was such a densely populated state. The
241 density of her population amounted to almost 100 people per square kilometre. Due to the low agricultural prices prevailing generally in the world, to the keen foreign competition and to her dependence upon the exportation of raw products it was almost impossible adequately to maintain the agrarian population by the cultivation of the soil.

728 While her old Austro-Hungarian market of 58 million
439 people was reduced to a market of 7·5 million, she was
652 burdened in addition with large foreign debts which could only be paid by agricultural exports. Owing to political considerations, the surrounding countries, instead of absorbing the Hungarian surplus products, boycotted her during the early post-war years. Added to this, the economic and other restrictions of the peace treaty made it impossible for Hungary to pursue an independent economic policy serving the true needs of the country. Not until eight years after the end of the first world war was the Government able to introduce an economic policy (industrialization, protective tariff system etc.) which could meet the challenge of the density of population and prevailing unemployment.

728 The difficulties of the post-war years were aggravated
464 by the existence within her borders of hundreds of thousands of refugees from former Hungarian territory. Our educated classes had grown numerically so great that it was practically impossible to find places for everyone in
652 the administration and economic systems. Millions had
185 to be spent on measures serving solely charitable purposes out of the proceeds of production and out of greatly decreased state receipts, which fell off as a result of the effects of the war. Therefore, for the first few years, no

† [i.e., a reversion to more primitive conditions -- Analyst]

planned social policy of bolder conception and projecting into the future could be instituted.

Social progress was obstructed also by other difficulties. The Government of Hungary consistently endeavoured to raise the living standards of the people. Several circumstances, beyond the control of political leadership, occasionally thwarted such efforts. When the period marked by the aforementioned economic boycott came to an end, several waves of depression swept over Europe, and by these Hungary was always seriously affected.

The liquidation of the post-war inflation was done under the financial supervision of the League of Nations, which meant that we did not enjoy full financial sovereignty. The same thing took place a second time after 1931 when the Central European economic and financial credit crisis occasioned new control. In spite of the exceptionally adverse conditions Hungary did not halt on her way to social advancement, but from the beginning the interests of social welfare constituted the key-note of her efforts to harmonize her economic and political life. In the enactment of all laws in the economic and financial sphere, social problems were given foremost consideration at all times during the past twenty years.

The march of social advancement was retarded at intervals by the world-wide depression, and therefore social conditions in Hungary could not progress all along the line as rapidly as was desired by the Government. Nevertheless the achievements have been great. In several respects, as we shall see, the social reforms were far in advance of those undertaken by larger and more wealthy nations, while again they can be considered as trail-blazers in some of their implications.

1/ [cf., category 116, p.8 - - - Analyst]

185 When we give a short account of the record of Hungarian social policy, it must be pointed out that the same consistent social spirit prompted the passing of new laws, reforms and other regulations, and the establishment of new institutions. It was through no fault of the Government that the development was not continuous, and temporary interruptions impeded its progress. These were caused by the above-mentioned political and social events. In the beginning, when the Hungarian state had to be reorganized out of almost nothing, the execution of the Government's plans was hindered by poverty, stagnation [425] of production and by inflation. In spite of all these obstacles the Government put through the Land Reform Bill of 1920. After consolidating the affairs of the state, the second 185 stage of social progress arrived, which lasted until 1931. 178 During this period the rate of progress was significant. This stage was marked by rapid economic growth and industrialization. Hungary was then able to eliminate most of the differences which existed between her social legislation and that of the more advanced European nations. [648] The third stage of development could be entered upon only after the second international control of our finances came to an end in 1938. This stage was one of innovations.

185 433 745 It was a salient feature of Hungarian social policy that it was always co-ordinated with the actual productive capacity of the country. Laws which could not be carried out were never enacted. The social policy of the state avoided bringing the country to the brink of bankruptcy, as for instance was the case in Czecho-Slovakia, where there was no harmony between the social and economic programme of the country. At the time of that Republic's dissolution, the consequence of this lack of harmony was

the virtual collapse of its indisputably advanced social institutions, especially its social insurance system. The laws enacted in Hungary had a sound economic basis.

In introducing this subject it was deemed opportune to stress these points because hostile propaganda systematically endeavours to convince public opinion in other countries that Hungary is a backward, feudalistic state, led by anti-social elements. Our answer to these charges is the simple recording of facts.

Regarding the social achievements of the pre-war years, we would only refer now to the fact that in the early days of industrial capitalism, Hungary was the fifth among the European nations to regulate child labour, as far back as 1840. She not only anticipated most of the other countries in this respect, but she secured wider protection for her child workers than even England did. It was a distinctive feature of pre-war social legislation that the system of compulsory sick-benefit insurance for workmen was established in Hungary in 1891, not many years after similar legislation in Germany and in Austria. At the time of the well-known Bismarckian social policy, important legislation along the same lines was instituted in Hungary as well.

Hungary, which was designated as a backward and anti-social nation, was the fourth country in Europe to inaugurate institutional family allowances. Hungary, stigmatized as a feudalistic state, distributed more than one million acres of arable land to her small farmers through land reforms after the war. Up to 1942 almost two million acres had been allocated for this purpose. At the time of the first land reform bill 260,000 families received lots for building homes. A second bill, recently instituted, will set

aside an equal amount of land for distribution among those whose security is desirable not so much for economic but rather for social and national reasons.

Post-war Hungary took the lead in Europe in regulating night work and woman and child labour, anticipating in some instances the recommendations of the International Labour Office at Geneva. The system of minimum wages, paid holidays and the restriction of working hours was established at an early date. This system not only covered the regulation of wages in industry, in which it is in force almost 100 per cent, but in agriculture as well, though in the latter it will be necessary to surmount considerable difficulties. The crowning achievement of Hungarian social progress was the new family protection policy, which is administered by a separate institution. Through its state-wide organization it has helped tens of thousands of large families in the country to own their own homes, and raised the living standard of the agrarian population by giving not only economic help, but moral support and vocational guidance as well.

The second world war — in which Hungary participates — necessitated the curtailment of certain social services, as was the case in many other countries. For instance, the regulations governing the limitation of the working week were suspended. Further, for the duration it was made possible for employers to compensate their workers for paid holidays. On the whole, it has not only been possible to maintain the pre-war social standards but to raise them as well. In the 1943 budget 250 million pengős are earmarked for expenditures of a social nature. This amount equals one fourth of the average peace-time budget. The trend of social policy as practised in Hungary and in most other

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countries reveals a marked difference in one respect. The
745 Hungarian social policy did not embrace the system of unemployment relief, as this was considered to lower the morale of the working class, and furthermore, Hungary was never in the position financially to spend millions on this type of relief. The Government endeavoured to find employment for the needy rather than hand out money to the unemployed. This policy was justified by results shown in the growth of industrial and agricultural production, and
185 of export trade. The Government is continuing along these
433 lines by promoting the industrialization of the country,
654 by decentralizing industrial concerns, especially new ones, and by trying to improve the quality and the quantity of agricultural production through subsidies amounting to 1000 million pengős during the past year and a half.

Special emergency measures of a temporary nature are passed to meet each contingency. Such are the war-time
722 regulations which promote the interests of the enlisted men
654 and of national defence by effective measures, and increased governmental support. Assistance for agriculture at the expense of the other branches of production at the time of the last economic depression was a similar measure, proving its value in reducing the burdens of insolvent farmers through the enactment of various laws. Taking everything into consideration, the general economic policy has not been formulated adventitiously to meet urgent needs and emergencies, but has consciously and consistently striven to carry out social ideals.

000 The following chapters will serve to give a brief summary of the results achieved by social-minded Hungary during the past two decades, sometimes under most adverse conditions.

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II. GENERAL SOCIAL POLICY.

Problems of the Civil Service.

The most pressing problem to be met during the critical situation brought about by the Treaty of Trianon was that dealing with the distressing plight of the educated classes. Countless obstacles hindered the employment of educated youths. Since the country had to be reorganized after the first world war and the ensuing communist revolution, the problems of the civil servants occupied a prominent position and had to be dealt with regardless of the almost insurmountable difficulties.

Since 1918 the salaries of the civil servants have been raised several times when compatible with the national budget. Social considerations played a prominent part in this respect in so far as the ratio of increases in the lower brackets was higher than in the upper ones. Again, when conditions necessitated salary cuts, those in the lower brackets were given similar proportionate consideration. It is worthy of note that the interests of family protection were always given foremost consideration, and the adjustment of family allowances was always on a progressive basis.

This policy has the following result; while a civil servant in the fifth grade receives not quite 70% of his 1918 salary, those in the eleventh grade receive 110%, and some messengers 140%. The family allowance of a civil servant in the eleventh grade was 10% of his salary for his wife and each child. Now he receives allowances on the following scale: 30% of his salary for his wife, 30% for his first child, 30% for his second, 35% for his third, 42% for his fourth, and 50% for his fifth child.

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'OTBA.'

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Until 1921 no provision was made for sick benefit for civil servants. The Government, by Act XLVI of 1921, established the National Civil Servants Sick-benefit Foundation (Országos Tisztviselői Betegsegélyző Alap) which provides financial assistance for medical treatment to the civil servants, pensioners and their families. The Foundation was reorganized and extended by the Government in 1934. To-day the members of the Foundation are organized in 2000 districts and they receive medical attention at their homes in 3400 places. In the current year the various benefits will be greatly increased.

Pensions.

As regards pensions given to civil servants, great social progress was made in Hungary during the past two decades. Out of the funds of contributory pensions health resorts were opened at Hévízfürdő, Balatonföldvár, Galyatető and Balatonalmádi. In the near future this fund will finance the building of the most modern hospital in Hungary, the Horthy Miklós Sanatorium in Budapest.

The scope of the Pensions Act showed a very progressive spirit even in pre-war days. Since the war the pensions act was enlarged to the extent of providing rent allowances to the widows of pensioners. Similarly, the act was extended to include childrens' allowances to the pensioners. The benefits are graduated according to the number of children. A further advance was made in 1927. Since that year, civil servants who are bound to the state only by contract are provided for in their old age, or if they are disabled.

Pensions of war veterans and war widows.

647 Special cases resulting from the war are taken into
729 consideration by the social policy. Those civil servants who became disabled while on active service during the war receive pensions regardless of the length of time spent in the service. The widows of civil servants who died while serving in the army receive pensions. During the first world war there were no such regulations in force.

Hungarian and Roumanian pension systems.

000 For the sake of comparison we may mention that the Roumanian state, in 1940, gave a very small pension to those who had been retired a long time ago. When the Transylvanian territory was reunited with Hungary, the pension system was reorganized according to the Hungarian laws. Some instances showed that the former Roumanian pensions were almost 200% lower. Furthermore, the Roumanian pension law did not give pensioners allowances for children. Thus the establishment of the Hungarian pension system was a very welcome change, especially to those with children.

Student welfare.

657 The second most acute problem created by the post-
894 war crises was the plight of the educated young Hungarians. In the beginning, when aid could only be given intermittently and within narrow limits, the Government spent as much as possible on the support of university students by direct aid. At the time of the world-wide depression this problem became acute. It became possible by then to aid student welfare by collective measures. The impor-

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tance of this problem is illustrated by the following figures: in 1914 there were 8700 university students, in 1918 there were 10,000, and during the past year 18,000 students were enrolled in Hungarian universities.

Before the first world war no active state organization for the welfare of university students existed. Thousands of students had to resume their studies after the war impoverished and without the hope of outside help, as the funds of the various student organizations and foundations had depreciated almost to nothing. Owing to the dismemberment of the country the seats of the universities of Pozsony and Kolozsvár were transferred to Hungary. The university of Debrecen faced serious financial difficulties. First the student body tried to solve its problems independently. Finally, in 1923, the Government came to its aid and ordered that "closing time fees" paid by commercial establishments should be diverted to pay for student welfare expenditures. In 1937 the Government established the Horthy Miklós Scholarship Fund, which gives financial assistance to gifted but needy students. In the budget of 1943 half a million pengős were earmarked for this purpose. Students' homes were established in Budapest, Szeged, Debrecen and in Pécs. After the territory of the country had grown and the number of university students increased, the Government organized in both Budapest and Szeged two new students' homes, and one in Újvidék.

The collective assistance and vocational guidance of the younger generation was promoted most effectively by the ADOB. This institution has provided jobs for thousands of university graduates since 1934, and has made available enough educated men to accomplish the increased tasks resulting from the enlargement of the country.

Solving student problems.

874 657 The Government is always interested in the question of replacements. This socially important task is being solved progressively and on a broad basis At nation-wide competitive examinations the gifted children of the rural districts are chosen, and out of these, 600 are sent each year to high-schools. There are 73 such high-schools in different parts of the country, and more than 80% of the children finish their studies with very high marks. Undoubtedly this innovation opens the way to social betterment and will ensure the replenishment of the intellectual classes through institutional selection of the talented.

The extent to which the problems of the educated classes are being solved is illustrated by the following figures: the Ministry of Education and Religion spent 149,500 pengős in 1924, and in 1943 three and a half million pengős have been allocated for student welfare purposes. Since 1920 twenty million pengős were spent by the Government on scholarships, student relief, assisting student homes and student welfare organizations. The student welfare problems are dealt with by a special department of the Ministry of Education and Religion, and a national board co-ordinates the work of the various youth groups and organizations.

Results achieved by public education.

871 We may mention here — as this is one of the salient features of social progress — results achieved by the educational policy of the Government in connection with the masses during the last twenty years. A remarkable number of new schools, scientific institutions and courses of instruction

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have been started. From the standpoint of raising the general cultural standards, the furtherance of elementary schooling and public education was the most important. The number of elementary state schools rose from 5584 in 1918 to 6899 in the summer of 1938, and the teaching staff from 14,400 to 20,149. During this time the number of board-schools was increased from 253 to 397 and their staff from 2653 to 4124. The Government carried out a large-scale elementary school building programme between 1926 and 1930. Out of the 52 million pengő fund created for this purpose 3645 schoolrooms and 1572 homes for teachers were built. In 1937 this activity gained fresh impetus after being temporarily interrupted because of the severe economic depression. In the last ten years 2000 new schoolrooms and 870 new homes for teachers were built. After the war the Government plans to build an additional 8000 new schoolrooms and houses for teachers.

Reducing illiteracy.

The results of the constructive educational policy are already apparent in the reduction in the percentage of the illiterate. In 1920 the percentage of illiterates over 6 years of age was 15·2%; in 1930 it was 9·6% and in 1941 4% in the territory left to us by the treaty of Trianon. Naturally in the recently regained territories the percentage of illiteracy is far greater since there the development of the educational system was slower, and in some districts it was altogether absent.

Among the laws and regulations governing public education in the last twenty years was Act VII of 1926, which deserves special attention. This law compelled the suburban companies and agricultural industries to estab-

871 lish and maintain elementary schools in rural districts. The importance of this was felt most strongly in the Hungarian Prairies where the population is widely scattered in small communities. From these remote districts it was almost impossible for the children to reach the schools, particularly in winter. To help solve this problem residential institutions were opened where the children — mostly of tenant farmers — from scattered farms received board and tuition up to the 8th grade.

895 Lastly, very important steps have been taken to
793 adjust the incomes of the teachers and the clergy and to promote their social welfare.

Social Security Insurance.

745 The Hungarian social insurance system is not of
466 recent origin, although its all-embracing reforms and measures have been adopted in the last twenty years. The most remarkable social achievement in Hungary since the war was the enactment of Act XXI in 1927, instituting compulsory sickness and accident insurance. Of far-reaching importance also is Act XL of 1928, which provided for the creation of compulsory insurance covering retirement pensions, disability, and widows' and guardians' benefits. Later the statistical data concerning the persons insured under these acts will be given. To illustrate the historical
[467] background it is sufficient to mention that the miners formed friendly benefit societies as far back as the fifteenth century. In the eighteenth and the beginning of the nineteenth century several similar societies were established, which in some branches of production — especially industry and mining — provided some sort of social insurance for their members. In 1891 sickness insurance was made com-

pulsory by law, and at the turn of the century the sick benefit societies were centralized. The retirement pension system of the miners was regulated by law in 1925. The above-mentioned Acts of 1927 and 1928 were followed by another (Act IV 1932), which regulates the administration of justice in cases arising out of disputes under these Acts.

The existing Hungarian social insurance organizations — especially their compulsory sick benefit insurance branch — give services which equal, and in several respects surpass, the general level of those in other European nations.

OTI.

Our largest social security institution is the National Social Insurance Institute, (Országos Társadalombiztosító Intézet) which had the following membership in 1940:

Sickness insurance	1,065,898	members
Old Age pensions	766,562	„
Accident insurance	1,143,572	„
Retirement pensions for miners	60,801	„

Over 2500 doctors were connected with the OTI in 1940. The yearly income of the institute is approximately 130 million pengős, and its different insurance funds approach 300 million pengős. It has 52 district pay offices, 15 branch offices, and 18 industrial pay offices. It gives permanent employment to almost 4000 people, and nearly 2000 are employed part-time. The Institute has full autonomy.

MABI.

The social welfare of the business employees is taken care of by the Insurance Board of Business Employees

745 (Magánalkalmazottak Biztosító Intézete). In 1940 there were 76,452 persons insured with the MABI for sickness, and 130,000 for old age pensions. Its yearly income and budget is in the neighbourhood of 20 million pengõs, its retirement pension fund reaches almost 110 million pengõs.

Insurance Boards of important Institutions.

Separate social insurance boards look after the employees of the railways. There are seven such boards with a membership of nearly 200,000. The seven boards operate with a yearly budget of 14 million pengõs.

The social welfare of the shipping business employees was under the guidance of a society from 1896 until 1924 when a newly formed organization took it over. It had 12,000 members in 1940 and its budget amounted to one and a half million pengõs.

The sick benefit society of the employees of the Royal Hungarian Tobacco Monopoly takes care of its 13,000 members.

The sick benefit insurance board of the Royal Hungarian Postal Savings Bank attends to the social welfare of its 2200 members ; and 17 independent mining organizations do the same for their 60,000 members.

The OTBA already mentioned is the social welfare organization of the state employees and has almost 100,000 members.

The social welfare fund of the City of Budapest serves the interests of the 22,000 city employees.

In addition to these there are 89 insurance boards operated by large commercial concerns for the benefit of their employees with assets amounting to almost 300 million pengõs.

The newspaper men, lawyers, actors, notaries public and postmasters and their employees each have separate retirement pension societies. 745

The second most important Hungarian social welfare project organized during the last 20 years was that of the insurance of the agricultural labourers. This will be reviewed in the chapter dealing with agricultural social welfare policy.[1]

Social Programme of Taxation.

Hungarian public finances are governed by social considerations and are progressive in character. Parliament has enacted several laws since 1918 in order to divide the burden of taxation progressively. The taxation policy is readily adaptable to the prevailing economic trends, and in spite of the present burden of heavy re-armament expenses and past economic depressions, the taxation is far more just and easily borne from the social point of view than heretofore. The success of the Hungarian public finance policy is proved by the fact that the state does not now requisition a relatively higher proportion of the national income than it did during the years just preceeding the war. 637

The explicitly social implications of the Hungarian public finance policy are described in the following paragraphs.

The income tax rates were computed on a progressive basis even in the first Hungarian income tax enactment (Act X of 1909.). Since then the progressive rate of increase was made more pronounced by Act XXII of 1940 in so far as it raised the tax burdens on the yearly incomes of 7000 pengős or more and left the rate in the lower income brackets unchanged.

[1] [cf. category 116, pp. 39-51 - - Analyst]

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Net income		Income tax.	
1,000	pengős	10	pengős
2,000	»	28	»
3,000	»	55	»
4,000	»	95	»
5,000	»	125	»
6,000	»	164	»
7,000	»	210	»
8,000	»	265	»
9,000	»	320	»
10,000	»	380	»
100,000	»	17,000	»
200,000	»	43,000	»
300,000	»	72,000	»
400,000	»	104,000	»

Ten pengős are deducted as a minimum subsistence allowance out of the tax payable on incomes not over 6000 pengős, which measure also favours the small taxpayer. This means that the tax on 3000 pengős is actually only 45 pengős, while the tax on 7000 pengős remains the above-quoted 210 pengős. Thus the tax is increased fourfold on an income little more than twice the size.

In the case of the taxpayer whose basic income surpasses one and a half million pengős, the tax, together with supplements, is 83% of the income. This shows that the Hungarian tax system is one of the most progressive in Europe.

Tax exemptions for soldiers.

651 729 While levying direct taxes, the first socially significant step was taken in the interest of disabled soldiers, war widows and orphans, and of those returned soldiers who fought on the battle-fronts and were decorated in the first world war. The Government grants the following exemptions

to the above: 10% to 30% exemption when the direct tax payable is not more than 50 pengős, 5% to 20% when the direct tax is between 50 and 100 pengős. 651 729

Children's Allowances.

The high birth rate is encouraged by the state even through tax measures. The principle of tax exemption granted for children was first adopted in 1929. According to the number of children in the family the assessable income-tax rate is progressively lowered, that is to say, the personal exemption is gradually increased, and the income-tax rate is progressively reduced. Those who do not have to pay income-tax also have their other direct state taxes lowered if they have four or more children. The same purpose is served by Act XXII of 1940, which provides tax rate reduction for those property owners who rent their houses exclusively to families with many children. 651 168

Since 1940 the tax concession for those having children takes the form of progressive reduction of the taxable income according to the number of children in the family. The ratio of reduction is considerable: for three children 700 pengős, for four 1000 pengős, and for five or more children 1500 pengős can be deducted from taxable income. The same law provides that the heads of families not paying income-tax are eligible for a reduction of rates on property taxes. The reduction is progressive and is between 5% and 34% (in the case of five children).

The promotion of family welfare is embodied in the already mentioned act of 1940 to the extent that up to certain limits (12,000 pengős yearly income) the law differentiates between single and married taxpayers, and taxpayers with children. To show how this works in

651 practice we take the case of a man with a net income
168 of 3000 pengős. The income-tax payable by him will vary according to his status in the following manner:

30-year-old	single	taxpayer			
will	pay	.....		58.75	pengős
married	childless	.....		53.25	»
»	with one	child	.....	50.50	»
»	»	two children	...	45.00	»
»	»	three	» ...	24.00	»
»	»	four	» ...	18.00	»
»	»	five	» ...	8.00	»
»	»	six	» ...	no tax.	

Property tax in rural districts.

651 Social considerations prompted the Government to levy only a nominal fixed tax on small two-roomed houses, occupied by their owners in villages and rural districts. This means tax relief for more than one million property owners.

Taxes of artisans, craftsmen and their widows.

The poorer artisans are exempted from declaring their income for tax purposes and they have to pay only a small fixed income tax. The income-tax rate of independent handicraftsmen over 60 years of age, and handicraftsmen who work for wages is reduced to half the general rate. Various tax concessions are made to widows of handicraftsmen who are practising their late husbands' trade, and to disabled ex-soldiers.

Tax concessions for new leaseholders.

The new leaseholders who became taxable according to the definitions of Act IX 1940, are exempted from

651 paying income-tax for three years. In the reoccupied territories the Hungarian house-owners who were not granted provisional tax exemption under the nationalistic policy of the Succession States, now receive such exemption.

Enlisted men.

651 In connection with the war the Government introduced 729 several new tax exemption measures. For instance, the Government remits even those taxes of soldiers killed in action which were not remittable previously. Cancellation of some of the taxes can be requested by the enlisted men, and they, or their landlords, can claim rental tax exemption.

Real estate tax exemptions.

651 The Government made important concessions to the farmers in land tax levies. In 1929 the rate of land tax was scaled down, and during the economic depression the Government reimbursed the impoverished farmers for the land tax already paid by them. Since then this concession is renewed yearly. Tax reductions were given for regrafting vineyards, and farmers receive tax benefits under Act [731] XXII of 1940 for damage caused by the elements. Between 1939 and 1942 Hungary suffered extensive flood damage every year, and the farmers thus affected received additional government concessions and compensation.

Special privileges.
Reduction of tax penalties.

In the interests of agrarian social welfare, and to restore parity of farm prices, numerous measures were adopted, among them the reduction of tax penalties almost

651 by half, the reimbursement of interest on taxes, and deferred tax payment schemes.

Relief of law enforcement.

Not only while levying taxes, charging expenses and interest to the taxpayer, and reducing tax rates did the Government espouse the cause of social welfare, but it came to the aid of the deserving taxpayer when tax laws were enforced. Several measures aim at the protection of the indigent agricultural population from tax law enforcement. The same help is given to others in need and to enlisted men. In connection with the war, the Government granted the remission of taxes in several cases. While discussing tax exemptions, mention should be made of the deferred payment schemes and reductions in interest granted by the Government in connection with the land reform and building site allotments.

Assessment of fees and social considerations.

Social considerations follow two courses in the assessment of fees. First, the Government grants exemption from the payment of fees when it considers the execution of certain schemes desirable from the social point of view, (Housing; sickness, accident, retirement, disability and widowhood insurance; resettlement on the land of the returning Hungarians who lost their property in the Succession States, and their agricultural re-establishment; promotion of industry, support of disabled soldiers and their dependents, settlement on the land, allowances for child education, cooperative welfare organizations, family welfare, promotion of agriculture and land reform etc.). Secondly, it grants reduction in the payment of fees in connection

with certain permanent social welfare purposes (public charity, documents for paupers, physical training etc.). 657

Social credit grants.

The vast credit schemes launched by the Government were mostly of social significance. The most extensive debt adjustment in Hungary since the first world war was aimed at the promotion of the social welfare of the agrarian population, which was gravely affected by the world-wide agricultural slump. The indebtedness of farmers and the fall of prices was so great that it was beyond the Government's ability to remedy the situation according to established financial and economic policies. In the beginning the Government came to the aid of the farmers by lowering the interest rates and prohibiting public sales of real estate. Later the policy of protected ownership was instituted, and the Government extended the amortization of farm debts over a longer period. 652 452

Part of the short term bank loans contracted by smaller farmers were paid by the Government. Indebted farmers owning less than 70 acres of land were especially favoured by the adjustment of their debts. The social implications of the protected ownership system will be discussed in the chapter dealing with agriculture. 1/1

Interest rate reduction.

When lowering the interest rates on farm debts the prime consideration was that the burden of the poor should be lighter than that of the rich. We mention here that the general lowering of interest rates benefited the whole community, and further, that the interest rates on small loans contracted with state pawnshops were reduced to a third. 652 426

1/1 [cf. category 116, pp 39-51 -- Analyst]

Loans to small industries and to shopkeepers.

652 The following Government activity in the credit field
452 assisted the social and economic strengthening of certain classes: 30 million pengős have been loaned to small industries up to date. Artisans not able to provide security required by the banks received loans from the Government of 300 to 500 pengős at a very low rate of interest. To aid the reorientation of commercial life the Government is extending credits up to 30 million pengős to shopkeepers. A specially reduced rate of interest is charged to shopkeepers with large families.

Other social welfare credit activities.

To alleviate unemployment among the educated classes and to ensure the replenishment of their ranks, financial assistance was given to deserving educated men in order to set them up in gainful occupations. Here is a brief summary of other public credit schemes: Loans granted to civil servants totalling almost 30 million pengős up to date; advance interest payments to holders of war bonds amounting to 60 million pengős; credits granted to the banks of the reoccupied territories in order to stabilize their finances; credits to relieve the difficult financial position of the insurance companies; and financing the different social welfare activities instituted since the war to provide food and clothing for the needy.

Housing Projects.

652 Public credit policy evidenced noteworthy results in
362 helping to solve the housing problem. Some of the housing
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projects are nearing completion, others are still being formulated. The most important are the following:

LAB. Loans.

Act XLI of 1930 made it possible for civil servants and small investors to contract long term building loans on advantageous terms. During the last 11 years 45,300,000 pengős have been advanced for this purpose, and out of this amount 6000 family homes and more than 80 large apartment blocks were built. The project was financed by the issue of Government bonds. These were taken up by the banks and social insurance companies.

Building in villages.

More than a quarter of a million building lots were allocated among the villagers during the first land reform. In 1927 the Co-operative Rural Building Society was established by law. This society loaned more than 60 million pengős for the erection of approximately 43,000 family homes in villages up to 1940.

Building activities of the OTI.

The largest social insurance company in the country invests its old age and disability reserve funds in building loans. Among the results of its widespread activities in this field, the following may be mentioned: at Albertfalva a garden city was built, in the XIIIth district of Budapest 752 family homes were built for workers, and another garden city was built at Pócsmegyer, several large apartment houses being erected by the society, housing thousands of people.

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452 *Building activities of the MABI.*

The Insurance Board of Business Employees plays an important part in housing projects. Its investments in housing amount to 17 or 18 million pengős.

Capital City of Budapest.

The Capital City of Budapest borrowed 20 million pengős from social insurance companies to build 3000 small homes, half of which are already completed.

National Folk and Family Protection Institute.

This family protection project, the largest undertaken by the Hungarian Government, built 5000 homes in the first and 6000 in the second year it was functioning. The details of this organization will be given later.[1]

Industrial Retirement Boards.

The more important industrial retirement boards have invested 100 million pengős up to date in buying and building houses, and in loaning money on mortgages.

000 Besides carrying out long-term plans, the public policy was flexible enough to meet any unforeseen contingency. We have already dealt with the problems of post-war unemployment, and with the social and economic problems of the educated classes. In conclusion we shall relate how the public welfare policy coped with emergencies, some of which were disasters due to the elements, and some the result of exceptional times. Most of these problems had to be solved promptly by the state and society working together.

[1] [cf. category 116, pp. 46-47 --- Analyst]

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Aid to flood victims.

In Hungary, the plains particularly were devastated by extensive floods in recent years. The floods had their origin outside the country and Hungary had no control over preventive measures, as most of the tributaries of the Danube — especially their sources — were on foreign soil after the war. The Succession States neglected the regulation of their flow, and added to this by denuding some of the mountains of their forests which normally absorbed a large part of the rainfall. After winters of unusually high precipitation a greater volume of water than was ever recorded before rushed down to the Hungarian plains.

Voluntary donations helped to relieve, in a small measure, the suffering caused by these disasters, but the expense was largely born by the state. To illustrate the extent of the damage: the Ministry of the Interior alone distributed 20 million pengõs among the flood victims; almost 5000 houses had to be rebuilt and 14,000 others repaired by the state. The work of rebuilding was hampered by war-time shortage of material, and supplies had to be controlled centrally.

Employment of returned soldiers.

The men from the farms who were released from the army had to be provided with work. This problem had to be solved by the state after the re-occupation of the northern, north-eastern, Transylvanian and eastern territories, and on a smaller scale after the re-occupation of the southern territories. The year 1940 was a most difficult one in this respect, as during that summer a large proportion of the country's male population was on active

653 729 military service, and consequently the income of the seasonal workers was negligible. The solution was reached by the Government in combining the employment of returned soldiers with the performance of public works such as rebuilding the homes of flood victims, and defence projects. Public works costing 54 million pengős bridged over the last months of the depression until the period of accelerated war-time production.

Providing for the refugees.

729 167 657 The refugee problem was an important item in the Hungarian social welfare administration. Hungarian resources were strained to the utmost in providing for the periodic influx of refugees from the former Hungarian territories. Immediately following the first world war this flow was at its peak, as we have previously stated. A similar situation occurred a second time when part of Transylvania was reoccupied. Hungarians who were left under foreign domination started to move across the new boundaries in large numbers. In order to help them to become self-supporting and be readily absorbed into economic life the Government settled them in various parts of the country. During this period of rehabilitation, from the autumn of 1939 till the end of 1942, the state spent 25 million pengős on their maintenance.

Compensation of war bond holders.

652 454 During the last twenty years it was often necessary from the standpoint of social security to protect the interests of the small investor. In the first world war thousands had put all their savings into war bonds, and when these lost their value many of the bondholders were in dire straits. For

a long time the state was not in a position financially to restore even fractionally the original value of the war bonds, but the bondholders of limited means received Government assistance. State expenditure under this heading has amounted to 60 million pengős since 1928. The war bonds were revalued in 1942 by Act of Parliament. The bonds are now worth 5% of their original value except those of small denominations, which can be cashed at 10% of their original value. Those who were entitled to Government assistance from their war bonds will continue to receive such grants-in-aid.

Protection of the small investor.

The interests of the small investor required governmental aid at other times. The Hungarian banking institutions survived the many economic depressions (with the exception of the post-war inflation) without serious disturbance to their financial structure and without inflicting a loss on their depositors. After the consolidation of public finances it seldom became necessary for the Government to intervene on behalf of the depositors, except in the case of banks in the re-occupied territories. The Government had to render financial assistance to these to tide them over the period of re-organization. Only when the Phönix Insurance Company collapsed was there some danger of many small investors suffering losses, but steps taken by the Government averted the danger and put the whole insurance system on a sounder basis.

Social Housing Projects.

The problem of adequate housing for the industrial population in urban districts became acute during the

depression and again later in consequence of the war-time shortage of materials for building. During the depression the aforementioned credit schemes and tax exemptions helped the expansion of building programmes. Since the beginning of the war a specially created board and numerous bylaws regulate the allotment of living space according to priority of socially justifiable claims. To-day the building programme is centred on defence projects, family welfare and social service housing.

Widespread social projects.

We may briefly mention here those socially important projects of the Government which aim at the improvement of the general health and proper diet of the farmers who constitute the majority of our population. For instance, the Government ordered the free distribution of sugar among certain sections of the agrarian community who had previously been without it. In poorer farm districts the Government distributes large quantities of sugar among children and nursing mothers. We shall discuss in another chapter free meals in rural schools, public health medical service to agrarian families, expectant mothers and infants; also marriage grants to farm labourers.

Churches and Societies.

We have given only a brief outline of the public welfare policy, which, although it expresses the social consciousness of the state and its will to further social advancement, paints only a one-sided picture of the country's social efforts as a whole. To complete the picture, mention should be made of the extensive welfare work done by different private social organizations, the Christian Chur-

[cf. category 116, pp 23–30 --- Analyst]

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ches leading the way. The Roman Catholic "Actio Catholica" maintains a separate social service organization. The concerted and unremitting efforts of the Roman Catholic church organizations follow the principles laid down by the Primate of Hungary. The Catholic parishes have been dealing with begging by well organized and proven methods, and are continuously helping the needy. The synod of the Protestant Church directs the Protestant congregations in the support of certain social welfare activities, and through the "Friendly Alliance" (Szeretet Szövetségek) it participates in country-wide social welfare drives and other far reaching movements. The Evangelical Church works along similar lines. The Churches often planned and carried out social welfare enterprises in those precarious times when restrictions on the sovereignty of the country and its public finances impeded the work of the state.

In addition there are over a thousand charitable organizations in Hungary, and a great many of the clubs — through their central organizations or independently — are active in social welfare work. These societies, especially their central organizations (mostly clubs for women), are instrumental in carrying out certain phases of the public welfare policy, and do exemplary work in child welfare, war relief work and the supervision of rural sanitation. The Government supports the work of the above societies with grants-in-aid.

"*Levente.*"

The national defence organization of Hungarian youth (*levente* organization) is engaged in important social welfare work in different parts of the country. The *leventes*

take an active part in the state-sponsored charitable collections. For instance, they carried out the collection of winter clothing in 1942 for the soldiers fighting at the front, when they collected 200 freight car loads of winter clothing and textiles. The *leventes* also helped with the collection of money for the Red Cross and for the aid of soldiers' families. One of their noteworthy achievements was the organization of the "Soldiers' Christmas" drive. During this drive they called on every family of soldiers fighting at the front who were wounded or missing, and also called at the homes of every enlisted man. They wrote reports on every case in their survey, and at Christmas time sent gifts to the soldiers and took presents to the soldiers' families.

The work of the "Husbandry Branch" of the *leventes* deserves notice. This work is done in rural communities where they try to improve conditions in the villages by guiding the spare-time activities of the poor into profitable channels. Instruction is given in vegetable culture (particularly peas and beans), also in methods of increasing the production of oil-seed. Organizing the systematic saving and collecting of waste material, scrap iron and textiles, was done by them.

The improvement in the standard of public health was due, directly and indirectly, to this organization. It is nation-wide in extent, and each member is compelled to undergo periodical medical examinations free of charge. The medical organization which looks after them has mobile hospital units which practically call at the *leventes'* homes. The poorer ones are given vitamin preparations to help their growth. Their social well-being is fostered by building "Levente homes," by sending them to summer

camps and by supplying clothing and shoes to the needy members. As all young men are members it is the most wide-spread organization in the country both from a national defence and social welfare standpoint.

III. AGRARIAN SOCIAL POLICY.

In the first decade following the Treaty of Trianon social conditions in the rural districts deteriorated in consequence of the changed economic structure of the country, which was aggravated by the following conditions. The supply of labourers far exceeded the demands made by diversified farming, the apportionment of the land in certain districts was very unequal, the distribution of the rural population varied greatly and the ranks of the rural proletariat were enormously increased.

Fifty-two per cent. of the Hungarian population is engaged in farming. Two thirds of this number (3 million including their families), were farm labourers and small farmers who had to supplement their meagre incomes by working for wages on larger farms. The density of the rural population was 59 persons per square kilometre, twice as much as the density of the Danish and French rural population and decidedly more than that of Germany. It goes without saying that the density of the agrarian population in Eastern Europe is much less than in Hungary.

In a less accentuated form the agrarian problems of present-day Hungary are the same, since the re-occupation of former Hungarian territories hardly altered the situation. The land reforms carried out by the Succession

241 States during the past twenty years aggravated rather than
728 improved the position of the Hungarian agrarian elements in their midst.

241 The density of the rural population and the ratio of
425 the farmers to the rest of the community proves definitely that this fundamental social problem cannot be solved merely by dividing up the land. Nevertheless important steps have been taken in Hungary in favour of dividing the land more equally, and these on the whole were more far reaching than in the surrounding states. Under the land reform of 1920 more than one million Hungarian acres of arable land were distributed, and in connection with this reform 260,000 building lots were made available for the needy rural population. In 1936, 1940 and in 1941 other land reform measures were introduced in Parliament. Up to 1942 the following figures illustrated the division of the land :

Through state activities in this field 1,400,173 Hungarian acres (about 1,950,000 English acres) and 456,757 acres through subdivision by private concerns were distributed. In the course of the land reform of 1920, 1,045,628 Hungarian acres, and the Land Settlement Act of 1936 354,487 Hungarian acres were allotted. The almost 2 million acres divided up equals 67·5% of the estates of over 1000 acres in private hands, and is considerably more than all the arable land of these estates.

The number of the small farms in Hungary is constantly and rapidly increasing and this process has not been stopped but is being stimulated by intensified political
241 activity. In 1935 the distribution of arable land according
423 to the size of the farms compared with Germany and Italy was as follows :

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	Total of farm land, hectares	Farms less than 50 hectares area	%	Farms more than 50 hectares area	%
Germany (1939)	53,209,000	28,690,000	53·8	24,519,000	46·2
Hungary (1935)	9,105,000	4,931,000	54·2	4,174,000	45·8
Italy (1930) ...	26,251,744	15,342,691	58·5	10,909,053	41·5

Since then the situation has been changed abroad and in Hungary as well, and a decided trend is evidenced in Hungary in favour of small holdings.

Laws concerning Jewish property.

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The laws concerning the economic position of the Jews in Hungary augmented this trend. Under the first law 820,000 acres of farm land owned by the Jews had to be registered with the state and this area of land will be increased by 500,000 acres of forest land to be registered under the second law. Instructions were given that the title of approximately 400,000 acres out of the 820,000 should be transferred. Not only agricultural but national and social aspects will be served by the adjustment of Jewish property rights in estates.

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The Hungarian agrarian policy, making use of the experience gained from the first land reform, is not swayed by the battle-cries of the demagogues demanding the distribution of the land at any cost, but is striving to create as many financially strong agricultural units as possible and to raise the living standards of the rural population. The discernment of the true needs of the agrarian population made the Government realize that the problems of the rural population cannot be solved by any one occas-

425 sional reform, but only by carrying out a continuous and
241 progressive programme.

The System of Protected Ownership.

241 The greatest blemish on the economic and social
426 structure of the agrarian community was the heavy in-
458 debtedness of the farmers. During the prosperous years after 1927 with their favourable prices and ready market, the farmers contracted extensive debts for making capital improvements in their land. The precipitous drop in farm income due to the financial crisis of 1931 left some of the farmers unable even to meet the interest payments on their debts. Wholesale foreclosures threatened, and the world-wide depression barred any hope of tens of thousands of farmers remaining secure in their tenure without outside help.
241 The Government, fully cognizant of the danger threatening
426 them, came to their rescue by first reducing the interest rate
652 on farm debts and then by prohibiting foreclosures. When these measures were found to be insufficient, the Government created the system of 'protected ownership' Under this system the interest payment relief and prohibition of foreclosures were continued and the Government also made provision for the definitive settlement of farm debts.

The small farmers were the ones who reaped the greatest benefits from this system. Among other grants-in-aid the Government paid gratuitously part of the short term bank debts of those farmers who cultivated less than 20 Hungarian acres of "protected" land. This was done before the general settlement of the farm debts took place, which covered these farmers also. During this settlement the Government assumed as a book debt that part of the farmers' indebtedness which was in

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excess of their registered yearly income multiplied by forty. The owners of farms of less than thirty Hungarian acres received further aid by having their short term indebtedness under the above limit converted into long term debts repayable in ten years by annual instalments which did not exceed 4·5% of the outstanding amount. Another regulation favoured the owners of less than fifty acres of land by releasing them from any joint obligation which they undertook in the interest of a third party. The protected ownership system proved so successful that the financial position of the protected owners became strong enough to enable them to repay their debts in part or in some cases in full. When the debtor made payments on the capital borrowed, the Government awarded him an amortization grant. The amount of this grant was 10% —15% of the capital repaid by the larger estates and 20% by farmers owning less than ten acres.

The legal measures regarding protected ownership substantiated in every respect the social ideals upholding the interests of the small farmer. In order to verify this statement we give the following figures:

In Hungary the majority of the 78,000 farms covered by the protected ownership system were farms of less than twenty Hungarian acres. The number of the latter reached almost 69,000 and were owned by almost 120,000 people. If we take their families into consideration it means that over half a million people benefited by the system. To sum up: the protected ownership system saved from ruin the means of livelihood of half a million people, because if the Government had not come to their aid this multitude would have been added to the numbers of the landless.

Protection of the agricultural labourers.

745 In spite of all the difficulties inherent in the years
241 of depression following the first world war, the Government introduced social welfare measures which will have their beneficial effects on the welfare of the agrarian population for a long time to come.

465 These measures were taken by the Government as
468 far back as 1923. Act XXV of 1923 laid the foundation for the regulation of minimum wages for farm labourers, another law (Act XXIV of 1923) regulates the legal procedure in wage disputes, a third law (Act XI of 1923)
[476] secured subsidies for the co-operative societies of farm labourers. The interest of the farm labourers under contract was promoted by Act V of 1933 in a marked degree by regulating the forms of contracts.

Minimum wages.

465 Since the minimum wage act of 1923 only regulated
241 the wages of day-labourers, in 1940 a new law was enacted which extended the benefit of minimum wage legislation to all kinds of farm labour. In conformity with the provisions of this law the minimum wage standards are fixed in each county separately according to subsistence standards, value of labour and working conditions prevailing in the county. Care was taken that laws enacted for the protection of labour should be enforced. To this end the agricultural labour inspection bureau was established, which is entrusted with the task of enforcing the provisions of the law.

Employment bureaux.

464 At the time of the establishment of the labour in-
241 spection bureaux the state modernized the agricultural

labour exchange offices. In the forty years of their existence these exchanges did valuable work and their efficacy was greatly increased by their reorganization and by appointing labour inspectors to their staff. Under the new system 100,000 labourers were provided with jobs in 1940 and more than 164,000 in 1941. The activities of the labour exchanges have somewhat diminished lately on account of the war-time shortage in labour, but the demand for their services will increase in the future. The present organization is able to equalize the shortages in agricultural labour existing in some places and the over-supply in some others while impartially observing the true needs of the labour forces.

Social insurance.

The establishment of the social insurance system for the agrarian population and the adequate protection of their interests depended on the producing capacity of the country and was affected by the limited possibilities of the years of depression. The various branches of social insurance covering agricultural workers were established as soon as the depression was eased. In 1936 the retirement pension system for farm overseers (Act XXXVI), in 1938 the old age pension system for farm labourers (Act XII), and in 1939 widowhood benefits (Act XVI) were established by law and in the meantime important new bylaws regulated and increased the services of the forty-year-old accident insurance system.

OMBI.

Two institutions are responsible to-day for the social insurance of the farm labourers. One of them is the OTI,

745 which is responsible for the sickness insurance of the
241 agricultural labourers from the reoccupied northern territories, and the other is the National Agricultural Insurance Board (Országos Mezőgazdasági Biztosító Intézet), which insures the agricultural clerical employees against old age, disablement and accident. The compulsory insurance of the farm labourers against accidents and old age is also under the OMBI. The most important innovation in the early 'thirties was the extension of the old age insurance system to cover agricultural labourers and their widows. When the old age pension system was founded, the right to participate in its benefits was not made subject to the payment of contributions for a certain period, consequently by 1940 nearly seventy thousand farm labourers had received such benefits without having paid anything in contributions.

[466] The compulsory accident insurance of the farm labourers has been in force since 1900, but applied to only a relatively small group of the labourers. Since the system was reorganized the number of insured rose rapidly to nearly half a million.

Agrarian Family Welfare.

746 As a result of economic and financial difficulties referred to above, the plans of the Government for agrarian social welfare could not be implemented until the late 'thirties. However, in 1940 an institution was formed which deserves special attention both for its scope and its novel features.

ONCsA.

The new institution, the National Folk and Family Protection Bureau (Országos Nép- és Családvédelmi Alap), was established by Act XXII of 1940. Its object was to

assist deserving poor families with many children, especially in the rural districts. The ONCsA is not a relief-distributing agency but an institution which forms the integral part of the community and of the local administrative bodies. It endeavours to improve the lot of the poorer rural population economically, morally and intellectually by raising its living standards and by promoting the cause of social adjustment.

Welfare inspection service.

To carry out effectively the novel features and manifold objectives of the new social welfare policy, the National Social Welfare Inspection Board was established, and in the counties and many towns co-operative social welfare societies were founded which made it possible for the poorest classes to engage in productive work. How important these projects are for Hungarian society is shown by the following statistics: in 1942 there were more than 259,000 families in Hungary with four or more children and in these families the total number of children amounted to one million two hundred and fifty thousand. The majority of the large families (212,000 families with a total of more than a million children) live in rural districts.

The National Social Welfare Inspection Board and the 93 co-operative societies have accomplished a tremendous amount of work since their inauguration in the different parts of the country. The value of their work can be appraised only by the collection of reliable social statistics which is done in connection with every serious social activity. This survey is carried out by 178 field workers and 750 Green Cross nurses. The latter also provide the expert guidance of the movement.

Rural housing.

74 362 Among the manifold activities of the National Folk and Family Protection Bureau the foremost was the assistance of large families to build their own homes. With the financial help of the Bureau 5410 simple but spacious houses have been erected in typical Hungarian style up to date. Besides this 194 families were helped to buy new and larger houses and 2169 families were assisted in renovating their homes. The amount spent by the Bureau on its housing activities already exceeds 40 million pengős. When evaluating the Bureau's work it should be taken into consideration that its building activities have commenced during the serious war-time shortage of building materials. The project at present is not only continuing but is expanding to reach ever wider circles of the population. The post-war plans of the Bureau call for the erection of 2000 more new houses.

Farm tenancy.

747 423 241 Another important branch of the activities of social welfare societies assists the impoverished large agrarian families in buying farms and setting them up in farm tenancies. In this respect the social welfare organizations work in close co-operation with land reform agencies, thereby ensuring that the deserving large families are given priority in the allocation of the land distributed under the land reform. Since the living standards of the poor cannot be raised simply by putting them on farms, the welfare societies endeavour to procure for them the requisites of farming. They give them loans free of interest, help them in purchasing farm equipment and stock, and

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besides obtaining brood stock from the state for the poorer farmers, they also secure the occasional loan of thoroughbred stock for breeding purposes. Up to date almost 20,000 large agrarian families have been aided on these lines. Welfare societies also help the poor farmers who are engaged in vegetable and fruit gardening, bee-keeping, silkworm culture, rabbit breeding and collecting medicinal herbs.

Handicrafts.

In several villages the welfare societies organized the villagers into different handicraft groups to alleviate the effects of seasonal unemployment during the winter. To foster the handicraft activities of the villagers, welfare societies advance the sale of their products and help them with the purchase of raw materials.

Marriage Grants.

Marriage grants to young people is one method of social welfare aid to the agrarian population. A noteworthy feature of the contracts governing these loans is that repayments are progressively cancelled upon the birth of each child. These loans of 1000 pengös made possible the foundation of many new Hungarian families. After the birth of the fourth child the outstanding part of the loan is automatically cancelled.

Education.

The National Folk and Family Protection Bureau is working on a project which will subsidize the education of the children of farm labourers. It is expected

746 871 241 that 250,000 children will benefit by this project, and families with 800,000 children will be made financially stronger.

Beside all its other activities the Bureau subsidizes other social welfare bureaux, child protection organizations and crêches, and gives free lectures for the public.

Green Cross Health Centres.

744 It was found necessary for a centrally organized institution to supplement the public health services of existing local organizations and make them available in communities which do not possess them as a result of difficult communications, great distances from other settlements, extremes of climate etc.

Recently the organization of public health services in the villages has been greatly expanded. In 1940 the Ministry of the Interior established the Green Cross Health Service, the main object of which is to render health services in remote districts of the country. At the same time the public health centres in the counties were provided with dispensaries. These are staffed with Green Cross nurses who combat diseases in the villages by educational and practical measures. The work of the public health centre includes free advice on marriage and vocational problems as well as instruction in hygiene, pre-natal and infant care, looking after school-children, giving advice to those suffering from tuberculosis and venereal diseases, combating epidemics etc. Their manifold activities extend to the supervision of pure drinking water and housing conditions, and to advice on a properly balanced diet. About 100 public health centres (dispensaries) are built each year and their work is carried out in almost

800 districts by 2100 separate organizations assisted by 1200 Green Cross Nurses.

The following organizations also help in the work of raising public health standards in rural districts: the National Child Welfare Bureau, Children's Hospital Society, five colleges for Green Cross nurses, four medical institutions for combating malaria, a research institution in influenza and other epidemics, and lastly the institute for maintaining an adequate supply of pure drinking water. The latter examines more than 30,000 wells each year, and has arranged for 1700 new wells to be sunk. Up to date 200 public health centres are housed in their own buildings.

IV. PROMOTION OF INTERESTS OF LABOUR.

Historical background.

The legal system devised for the protection of labour had to be reconstructed in the years following the 1918 collapse.

The movement to protect the wage-earners from exploitation arises from laws enacted during the early 'forties of the last century when the industrialization of the country was started on a large scale. The restriction of child labour is the oldest example of protective legislation. The corresponding act of 1840 (Act XVII) was not only the forerunner of similar legislation in several other European countries but it was wider in scope.

A statute passed in 1848 limited the working day to nine hours for minors. The labour act of 1878 prohibited the employment of children under twelve years of age and made provision for the protection of apprentices and women.

made provision for the protection of apprentices and women. The outlines of the modern type of legislation took shape in 1884 when the protection of motherhood, establishment of workmen's sick-benefit boards, the inspection of hazardous occupations and the settlement of industrial disputes were regulated through government action. In 1891 a statute ordered the compulsory observance of Sunday rest; and in the same year Hungary was the third country in Europe to introduce compulsory sickness insurance for industrial labourers. Two years later industrial inspection agencies were established. A great number of other governmental regulations followed until 1918, when a statute forbade night work for women. In 1916 a statute laid the ground for the establishment of state labour exchanges.

This is the historical background. In the post-war years the industrial life of the country had to be reorganized. Although the country was deprived of its natural resources, of its best industrial areas, and was restricted in pursuing a free export-import policy, an ever-increasing volume of legislative and administrative measures were designed to benefit the interests of labour.

Apprentices.

In 1922 a statute was enacted to regulate the position of apprentices, limiting their working hours and setting general educational standards for them. The law also contains provisions for the registration of apprentices, determines the forms and contents of their contracts, lists the reasons for which they may be given notice, establishes their educational requirements and promotes their social welfare in every respect.

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Limitation of night work.

In 1923 a law (Act XV) regulated labour conditions in the baking industry. The working day was limited to 8 or 10 hours, night work was prohibited and rest periods were ordered. Since then the 10-hour working day provisions of the law have been superseded. In the same year the proper ministry was empowered by Act XVI to forbid night work by administrative orders in industries where it was not absolutely necessary. Under this law night work was prohibited in the meat industry.

Protection of women and minors.

Act V of 1928 fully covered the whole field of the employment of children, women and minors. The law prescribes in minute detail the conditions under which different branches of industry may employ the above categories of labour, sets the minimum working age, forbids night work and work which endangers their health and morals, overtaxes their strength or retards the growth of minors. Furthermore the statute protects the health of women labourers before and after child-birth and orders factories to instal suitable social welfare conveniences. One of the provisions of this law makes the employment of minors subject to medical examination testifying to their physical fitness, another prohibits the employment of youths under sixteen in mines.

International agreements.

In the same year Hungary implemented several draft conventions of the International Labour Conference, some of which dealt with furnishing data on labour exchanges, protection of the interests of minors, etc. All the con-

ventions adopted were put into effect immediately. The majority of the recommedations of the International Labour Office were acted upon in Hungary, and only those were not implemented which were not relevant to Hungarian conditions, or those which had already been enacted, in some instances in a more sweeping form.

Protection of labour interests.

The intention of these administrative measures was to protect the workers againt insecurity and occupational risks. In the meantime effective steps were taken to further the material well-being of the workers, although more vigorous measures to achieve this end could only be instituted after the depression and when the state regained full control of its finances. The year 1935 was a definite turning-point in this respect ; from then on the provision of social security for workers became one of the paramount concerns of public policy in Hungary. In this stage of the social security programme, labour legislation dealt with the following : general reduction of working hours, minimum wages, paid holidays for workers, child educational allowances, family allowances for workers, obligation of the employers to report large scale lay-offs, in certain labour categories regulation of the amount of notice and of the quittance-money to be paid to discharged workers.

In 1935 an order in council empowered the proper minister to reduce the working day to eight hours and the working week to 48 hours in those branches of industry where this was still necessary. The hours of work and minimum wages were again regulated by Act XXI of 1937 which extends the limitation of working hours to other occupations besides industry and trade. The limitation

of working hours was made indirectly effective under the minimum wage law in so far as the law orders that at least time and a quarter must be paid for overtime. Concurrently the state delegated authority to specially appointed wage-boards to establish minima appropriate to particular industries not previously regulated. Minimum wages are applied in 75 to 80%, and hours of work are regulated in 95% of industry. Employers and employees are represented in equal numbers on the minimum wage boards. In consequence of the new measures the exceptionally low wages disappeared from the labour market and the general level of wages and the purchasing power of the workers increased year by year.

Paid holidays.

In 1936 new developments took place in this province. By Act VII of 1936 the paid holidays for apprentices were realized and by Act XXI of 1937 this benefit was made available to a large section of workers. Under this law in the trades to which the industrial law applies, every worker is entitled to paid holidays subject to one year's continuous employment. The holiday has to be given between April 1st and October 31st, the days running consecutively, and its length is increased after every year of employment. These regulations do not apply to business executives or to employees whose yearly salary exceeds 6000 pengős. Small tradesmen who cannot spare their workers are also exempted from this law.

Family wage allowances.

Further great progress was registered in wages legislation by Act XXXVII of 1938, which introduced into the

465 wage system allowances for children. Hungary was the fourth state in Europe to supplement the wages of labourers according to the size of their families. This law only applies to firms employing more than twenty labourers. By the end of 1941 firms with a total of more than 800,000 workers on their pay-roll paid family and child education allowances to 180,000 of their employees having in all 332,000 children.

Amount of notice, quittance money.

466 When the social wage policy was put into practice a law was passed ordering industry to give two weeks' notice to the proper Ministry before laying off any large number of workers.

We refer here to that important protective measure in force since 19[illegible] which regulates the amount of notice to be given to industrial labourers and fixes the amount of quittance money payable to them. This measure was later extended to include clerks, shop assistants and highly skilled workers. This procedure was applied by common law and legal practice to several categories of workers some decades before the above law was enacted.

Employment offices.

464 During the past few years the sphere of activities of the labour boards has been gradually extended and the finding of employment increased. In 1942 the state started gradually to take over the municipal labour exchanges and by 1943 there were already 24 government employment offices. Parallel with the organization of government employment offices goes the registration of workers, which makes possible the nation-wide control of the supply and

demand of labour forces. Besides directing the labourers to places where they are needed, several boards entered upon the plan of giving the workers diversified training in various trades.

Inspection.

The nation-wide organization of labour inspection boards is being established. The National Industrial Board in Budapest is already functioning and supervises the enforcement of regulations governing working conditions in industry.

Leisure hours.

The organization of the workers' leisure hours was also started. Various clubs and unions of the workers provided facilities for cultural diversions, recreation and sports for their members. Credit is due to the factories for providing similar facilities on the highest European standards for their employees. Many of the larger factories publish illustrated magazines for their workers dealing with matters of interest to them.

V. WAR-TIME MEASURES.

In Hungary after the first world war and subsequent revolutions, when normal political life was restored, the first laws enacted by the Parliament were concerned with improving the economic and social conditions of war veterans, their dependents, victims of the war and of those who were decorated for war services.

Tax concessions.

729 651 Their economic assistance and patronage is the permanent feature of the taxation policy, which assures the disabled soldiers, war widows and orphans, soldiers decorated for bravery, and war veterans of permanent tax benefits through administrative and legal measures. Lately these benefits have been made available to all soldiers on active service.

Ex-soldiers.

729 464 In several other administrative and legal measures incidental provisions secure special consideration for the above. One of the laws furthering the welfare of war veterans and their dependents orders the employment of a certain percentage of disabled soldiers by employers, and secures preferential treatment for ex-soldiers when applications for governmental and other positions are considered.

729 656 These considerations prevail at the distribution of state monopoly rights in trade amongst retailers. The law of 1921 governing the retailing of spirits orders that the license applications of war veterans, disabled soldiers, war widows and orphans and those civil servants who lost their livelihood on account of the Treaty of Trianon, should be given first consideration. The law regulating the social welfare of ex-soldiers provides that if there are competent ones amongst the applicants for any state licenses to ply a trade, at least 50% of the applications should be granted to them. Since these laws were passed the revenue authorities have allotted almost 70% of the licenses — especially licenses to retail tobacco — to disabled soldiers, giving preference to those who had

large families or were most in need of employment. The retail tobacco store licenses withdrawn from Jews were given mostly to ex-soldiers and war widows.

We have already dealt with the indemnification of war-bond holders who sustained severe financial losses due to the war in the section on public finance and taxation.

Social policy during the second world war.

War conditions retarded the progress of certain social welfare policies and stimulated others. The promotion of industrial labour policy has not been neglected during the war. The expansion of the sphere of activies of the various labour agencies and boards is going on and the Government is reinstating certain social measures which were suspended or restricted the beginning of the war in the interest of accelerated war-time production.

Overtime and paid holidays.

In the regulation of working conditions and the labour market nowadays anticipatory measures come to the fore, for instance the new wartime measures to check habitual idleness and any sign of reluctance to work. It was inevitable that the limitation of the hours of work should be suspended for the duration, and although it was restored for a short while in 1940, it had to be suspended again that year owing to the requirements of war production. At the same time the Government demanded that overtime should be paid for any extra hours of work. Defence requirements also made it necessary that the paid holidays enjoyed by workers under the law could be commuted for extra paid compensation. Furthermore, steps were taken that the time

722 spent by workers on active military service should count
461 more than the actual days when computing the time which entitles the workers to paid holidays.

War-time wages.

722 To safeguard the living wage of the workers and to
465 keep it in alignment with the rising costs of living the Government ordered that wage supplements should be paid above the regular wage rate stabilized for the duration. The payment of these war-time wage supplements was ordered on three occasions, consequently the wage rate has risen thirty per cent on the average since the beginning of the war.

Enlisted workers.

901 Several new legal and administrative measures were
427 passed to safeguard the interests of enlisted men and their dependents. In 1941 an order in council directed that for non-payment of rents enlisted men cannot be made to vacate houses, apartments or living quarters rented by them and the courts can adjudge that their rents be payable by easy instalments.

Discharge.

901 Industrial and commercial employees cannot be
466 discharged while they are serving in the forces. If the employee has received living quarters from his employer in addition to his wages they cannot be taken away from him or from his dependents. Enlisted men must be re-employed if they report for work within eight days after their discharge from the forces.

Wage allowances to dependents.

The employer must pay the enlisted men in the ranks or their dependents 50% of their monthly salary during their period of military training and this amount is increased by 10% for each child. The rent of their living quarters if supplied by the employer cannot be deducted from the above amount.

Industrial and agricultural labourers.

The industrial connections of the enlisted men cannot be severed while they are doing military service, and the same applies to agricultural labourers, and if they have dependents their employer must continue to furnish the dependents with the services in kind contracted for (rent-free homes, fuel, garden space, keeping a certain number of domestic animals, etc.).

Since 1938 laws ensure that the jobs of farm overseers be held for them and their dependents be provided for by the employer while the overseers serve with the army. Since 1942 the needy dependents of enlisted men get separation allowances. They also enjoy certain privileges in rationing.

Civil servants.

A number of legal measures protect the interests of enlisted civil servants. The essence of these measures is that no distinction should be made between enlisted and exempted civil servants to the detriment of the former in the matter of promotion, placement in rank, etc.

Disabled soldiers, war widows.

One of the provisions of the National Defence Act orders that disabled soldiers and war widows should be

729 awarded pensions irrespective of the length of military service. During the first world war no such law was in force.

Taxation.

701 651 The enlisted men and dependents of soldiers killed in action profit by various taxation measures. For instance, in some cases their tax arrears are written off. The collection of taxes of enlisted men is deferred for a longer period. Arrears in municipal rental taxes payable by enlisted men are sometimes treated as irrecoverable claims.

000 In this resumé of war-time measures, only the most important features of state aid to soldiers, and to others entitled to special consideration on account of the war, have been briefly outlined.

VI. HUNGARY — A SOCIAL STATE.

One of the oldest themes of anti-Hungarian propaganda, which is repeated over and over again, is the assertion that Hungary is a feudalistic state motivated by reactionary conceptions of life and remaining far behind its neighbours in the matter of social reform. Occasionally publications appear abroad trying to prove this assertion by specious comparisons.

The Hungarian statutes, institutions, and governmental measures already described speak for themselves, and the data given show that Hungary's social policy has kept pace with general European social progress. Hungary was the fifth state to limit child labour early in the nineteenth century, the fourth state to institute family allowances, one of the first to restrict night labour and to legislate for

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the protection of women labourers. Hungary's sickness and social insurance dates back fifty years, therefore, taking the above into consideration, the malicious libels attributing anti-social and feudalistic motives to her are not valid, even for the past.

At the conclusion of the first world war these unproven allegations were partly responsible for the treatment meted out to Hungary by the Treaty of Trianon.

Post-war Hungary was indeed in a sorry plignt, because she did not have at her disposal such plentiful natural, material and financial resources as were controlled by the Succession States. Therefore she had to adapt her social policy to the actual productive capacity of the country. As she could fall back only on her own resources without being able to count on foreign help, she could not build up social institutions to meet all the needs of the country, as this would have ended in bankruptcy.

That is what happened in the former Czecho-Slovakia, which had very progressive and highly developed social institutions. All the branches of social insurance were admirably developed by the Czechs and in many instances the benefits derived from them were greater than ours. They had unemployment insurance and spent huge sums on public health. Their easy credit system as well as the low prices of clothing successfully supplemented the provisions of their social welfare policy.

In spite of all this, important social problems remained unsolved in Czecho-Slovakia — not entirely unintentionally. The over-developed social insurance system — which was the most outstanding advertisement of Czecho-Slovakia abroad — nearly dislocated the financial system of the country before the dissolution of the state. Furthermore,

the social welfare provisions were frequently applied in the interest of Czech power politics by excluding the minorities from partaking in its benefits.

What remained unsolved was not unemployment relief but unemployment itself. Especially in the industries of the Sudeten-German districts unemployment sometimes reached catastrophic proportions.

In Sub-Carpathia the preventive public health service was very primitive. Since this territory was returned to Hungary the introduction of Hungarian public health service has been responsible for tremendous improvements. The farm labourers of Hungarian origin not only did not benefit by the Czecho-Slovak land reform but owing to the division of large estates they were deprived of their means of livelihood, the more so as the industries could not maintain all the unemployed farm labourers.

In Slovakia the Czechs obstructed industry, which resulted in drastic curtailment of employment. A large percentage of Hungarian civil servants were not taken over by the Czech state and these became destitute. Generally speaking, in spite of its laudable social institutions, the living standards of the minorities were deliberately reduced to a very low level by the Czech Governments. Such differentiation never took place and never will in Hungary.

The industrial policy of suppression, used by the Czech Governments in districts inhabited by minorities, was deliberate. The continual shrinkage of the volume of industrial output was the result of this policy. At the time of the industrial recovery in 1935 Czecho-Slovakia's industrial output was only two-thirds of the already diminished production of 1928, while corresponding figures for the German, Hungarian and Austrian industries were 100%,

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105‰ and 82% respectively. The number of workers gainfully employed by industry correspondingly fell from two and a half millions to one million eight hundred thousand, and this took place first of all in the districts inhabited by minorities.

The above data cover the whole state, but the lot of the minorities was the most severe. The deterioration of industry reached the greatest intensity in Slovakia and Sub-Carpathia. This will be evident if we glance at some statistical data on living conditions. For instance, the average yearly meat consumption in Bohemia was 40.5 kilograms, and in Moravia 37.5 kilograms, while in Slovakia it was only 16.7 and in Sub-Carpathia 8.4 kilograms per head. We must bear in mind when considering these data that Czecho-Slovak propaganda always gave a rosier picture than was actually the situation in these districts by clever and biased grouping of the facts.

We get a clearer and more concise picture of the situation if we take into account the reasons behind the unfavourable position of the districts inhabited by the minorities. Greater Hungary's policy of industrialization endeavoured first of all to create opportunities for work in the poorer districts inhabited by the minorities in order to raise their living standards. Under Hungarian rule (1884 to 1914) the average per capita investment in Slovakia and Sub-Carpathia was 230 gold crowns (in Transylvania 200 to 230 gold crowns, in South Hungary 150 to 200 gold crowns) in contrast with the yearly per capita investment of 70 to 150 gold crowns in that part of the country which constituted post-war Hungary. In the territory which became part of Czecho-Slovakia Hungary subsidized industry with grants, interest-free loans, machinery, tax

exemption and reduced freight rates. Between 1881 and 1914, 1333 such factories received subsidies, and by 1935 all these factories with the exception of a few were in ruins under Czech rule . . .

The complete ruination of industry was not left to chance and was not caused by the depression, but it was a fixed programme of the Czech Governments. The process was started by the stringent control of commercial and savings banks which was extended later to co-operatives and commercial houses.

It was continued by taxation measures and was marked by distinct favouritism in allotting state orders which consistently neglected Slovakian industry. How taxation was used to achieve this end becomes manifest when we take into consideration that 19% of the state receipts came from Slovakia and only 9% of the state expenditure was spent there.

During the first few years following the first world war 94.5% of the state investments was spent in Bohemia and Moravia. Out of the 3.5 milliard Czech crowns invested in 1931 by the state social insurance system, only 236 million Czech crowns were invested in Slovakia. Half of the expenses of the road building programme of Czecho-Slovakia was born by Slovakia and Sub-Carpathia, but their share in the programme was only 12%. The levying of taxes was governed by certain considerations in the historical Czech state and by different ones in Slovakia and Sub-Carpathia; in the latter the tax burdens were far heavier. The railway freight rates were always higher in Slovakia and Sub-Carpathia than in the rest of the country. This fact in itself would have sufficed for the complete ruination of Slovakian industry. On the average the indus-

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ooo tries of Slovakia and Sub-Carpathia had to pay 50% higher freight rates than the industries of Bohemia and Moravia. The territories cut out of the body of historical Hungary became poorer every year by several million Czech crowns as a consequence of the Czech freight rate policy.

Because of the favouritism displayed by the Czech Government in placing state orders, the once flourishing Slovakian industry suffered losses amounting to several millions of Czech crowns.

All these deliberate measures resulted in the virtual destruction of Slovakian industry, and caused large-scale unemployment and emigration. Even the Czech statistics (often glossed over) showed that in 1930 fifty-four people out of every 10,000 emigrated from Slovakia. This was exactly ten times as much as the rate of emigration from the Czech state proper. The Slovakian Industrial Association's report for 1931 estimated that the actually existing unemployment was three times as much as shown by the state. That is how the social state of Czecho-Slovakia worked in reality.

The balance is even more in Hungary's favour if we quote a few figures depicting the Roumanian social policy in that part of Transylvania which was reunited with Hungary and the corresponding figures of the present day social policy in the same territory. The municipality of Nagyvárad spent 25,000 pengős on social welfare during the last year of Roumanian rule, while in the first year under Hungarian rule 370,000 pengős were allocated for the same purpose in the city's budget, and this amount was enhanced by 260,000 pengős in the supplementary budget of the Hungarian Norma Fund, by relief expenditure on public works amounting to 643,000 pengős

and by 600,000 pengős spent by the National Folk and Family Protection Bureau in the city. Altogether 1,873,000 pengős were spent on social welfare in Nagyvárad in one year, 74 times more than under Roumanian rule.

Another telling example is the budget of Kolozsvár (Cluj under Roumanian rule). In the city's 1939/1940 budget the social welfare items amounted to less than 32,000 pengős. In contrast, in the 1941 Hungarian budget of the city 496,000 pengős, and in the 1942 budget 613,346 pengős were earmarked for social welfare outlay. The city's supplementary folk and family protection budget called for the expenditure of almost half a million pengős in 1942 and from September 1940 until the end of 1941 the Municipal Public Welfare Co-operative Society distributed over one million pengős for welfare purposes. If we compare these amounts with the Roumanian budget of 32,000 pengős, we get an idea of the difference in the degree of social administration under the two regimes.

It is very interesting to note the dates of social legislation in the two countries. In the Transylvanian and Eastern territories reunited with Hungary the Roumanian state instituted public health measures about 1938 similar to those which were made compulsory by law in Hungary towards the end of the last century. In post-war Hungary the National Public Health Institute has been operating for two decades through Green Cross nurses, model districts, and other agencies. In Roumania, health magazines only started to discuss in 1940 that a similar institution should be established with the money offered by the Rockefeller Foundation long ago for this purpose. There was a crying need for this institute as owing to the neglected public health standards a serious epidemic of infectious

diseases menaced Transylvania. The scarcity of Roumanian doctors was partly responsible for this state of affairs. The number of district doctors in the whole of Roumania was only 1263, and these had to look after 16,000 villages. The villages in post-war Hungary were attended to by four times as many district doctors and their numbers have increased since.

The social insurance system was established in Roumania in 1938, ten years later than in Hungary, furthermore, the Roumanian social benefits are smaller and the conditions under which these can be obtained are less favourable than in Hungary. For instance, the Roumanian social insurance practically excludes farm labourers because the only ones insured are those working with machinery, and that only for accidents, also labourers working for market gardeners, and the number of these is very small. The social insurance system, which is far more restricted in scope than the Hungarian, was hardly in evidence in Transylvania. The provisions of the law were differently interpreted and applied in different districts.

Finally we may remark on the position of the pensioned state employees in Roumania. The Roumanian state gave a very small pension to the civil servants, especially to those who were pensioned off before 1930. The pensions were adjusted according to the Hungarian laws in that part of Transylvania which was reunited with Hungary, and the Hungarian pensions in many cases were two hundred per cent. higher than the previous Roumanian ones. Neither did the Roumanian pension law give family allowances to the pensioner for his wife and children. The extension of Hungarian laws here too — as in public health, social insurance and in other connections —

meant the raising of standards and improved living conditions.

We could continue this comparison indefinitely, especially to the disadvantage of Yugoslavia, where the social insurance and other social welfare measures left much to be desired. We may mention as an example taken at random, that at the allotment of state licenses (retailing of spirits, etc.) not social but financial or nationalistic considerations were decisive in contrast to the social ideals predominant in Hungarian policy.

The Succession States had at their disposal far greater natural resources and possibilities to create vast and all-embracing social institutions than Hungary. But they did not do so. The dismembered Hungary, which fought superhuman battles for its mere existence and to keep the ship of state afloat, found ways and means — often in desperate circumstances — to introduce new social legislation and carry into effect these laws according to carefully considered plans. Each succeeding Hungarian Government differed only in its degree of performance, subject to current economic conditions, and not in intention or in policy. As in the past Hungary continues marching along the road of social progress in the vanguard with other socially advanced European nations.